

VZCZCXRO2638
PP RUEHBC RUEHDA RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #0970 0981428
ZNR UUUUU ZZH
P 081428Z APR 09 ZFF4
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC PRIORITY 2612
INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY

UNCLAS BAGHDAD 000970

SIPDIS

E.O. 12958: N/A

TAGS: [EINV](#) [IZ](#)

SUBJECT: IRAQ TO OFFER (ANOTHER) ROUND OF JOINT VENTURE
INVESTMENT OPPORTUNITIES

REF: A. 09 BAGHDAD 222
[1](#)B. 09 BAGHDAD 816

[1](#)1. (SBU) Summary: Iraqi Minister of Industry and Minerals Fawzi Hariri recently announced a third round of Joint Venture (JV) opportunities in Iraq's state owned enterprises (SOE) (Reftel A). The current bid round will include 15 SOEs, representing the construction, engineering, chemical-petroleum, food-drug and textile sectors. Measureable progress on the SOE JV program has been slow over the past year, and some JVs have recently experienced investors withdrawing from the process (Reftel B), leaving only one JV currently in operation. While Hariri has put together a diverse basket of companies for the current round, the viability of the JV concept as it is currently structured remains in doubt. If the GOI is to improve the performance of the SOE JV program, the Ministry of Industry and Minerals (MOIM) will need to offer stronger financial incentives via more attractive contractual terms in order to attract greater interest and participation from viable international investment groups. End Summary.

14 Companies in Current Round

[1](#)2. (U) Iraqi Minister of Industry and Minerals Fawzi Hariri recently announced a third round of SOE JV opportunities. According to Hariri, the JV offers will be structured the same as the previous rounds, (Reftel A) with MOIM maintaining ownership and the investor taking over day to day management, payroll expenses, marketing and production costs; both sides will continue to split a negotiated percentage of the production output, typically 60% or more for the investor. The current bid round will include a diverse group of 15 SOE's in 5 sectors:

--Construction- State Company for Northern Cement (Badoosh Cement and Hammam Al Alil Cement Factories), State Company for Construction Industries (Plastic Pipe factories in Baghdad and Misan).
--Engineering- Ur State Company for Engineering Industries (Aluminum Factory and Cable Factory), State Company for Electrical Industry, Al Zawraa Company
--Chemical and Petroleum Products- Al Furat State Company for Chemical Industries (Starch and Dextrin Factory) Al Sawry State Company for Chemical Industries (Rock Wool and Fiber Glass Factory) Abug Al Khaseeb Fertilizer Factory, State Company for Petrochemical Factories.
--Food and Drug- State Company for Tobacco and Cigarettes (Baghdad and Al Nasir Factories), State Company for Drugs and Medical Supplies, State Company for Dairy Products (Abu Gharib Dairy), State company for Vegetable Oils (Baghdad and Al Mua'ataseem)
--Textile Sector- State Company for Woolen Industries, State Company for Leather Industries

Watching What is Done, Not What is Said

[1](#)3. (C) While Hariri continues to publicly champion the SOE JV process, he privately acknowledges the limitations of the offers and laments the lack of GOI political will to offer meaningful incentives to international investors. Hariri's

former deputy, Dr. Sami al Araj, currently Chairman designate of the National Investment Commission, has made similar comments about the SOE JV's as well, asking one USG official in a private meeting, "How can I sell these?" (Note: All SOE JV agreements must be ratified by the Council of Ministers; it is possible that Hariri does not want to be perceived as giving too much contractual ground to foreign entities. End Note) It is worth mentioning that despite concerted efforts by MOIM, only one JV is currently in operation while six others remain in various states of negotiation, approval, or lack of investor commitment. Anecdotaly, some potential investors have disengaged from their SOE JV commitments due the stress of the current global financial situation.

BUTENIS